

European Policies on Competition, Trade and Industry: Conflict and Complementarities

edited by Pierre Buigues, Alexis Jacquemin and André Sapir
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Competition policy is always a blend of two irreconcilable impulses. On the one hand there is a tendency towards concentration and rationalization of business that takes advantage of the economies of scale, while on the other, there is a case for anti-trust policy in order to prevent the negative effects of the monopolization of the market. In addition, the objective of an industrial policy is to shape the comparative advantages of a country or an integrated group. All this is enriched by trade policy that gives an international dimension to all these considerations. The challenge of policy-makers in such a complex situation is to profit from the best parts of these elements, as well as to find and keep an equitable balance among them. That is not at all easy as technology and the situation in the market are constantly changing. However, if the policy in such a formidable situation is successful, rewards may more than compensate for the investment of efforts and funds in the medium and long term. Considerations of all these issues is the subject-matter of the book under review.

Considerations of issues that deal with policies on trade, competition and industry were often considered separately in the past. However, the three issues are not separable and create a special 'trinity' in both theoretical analysis and practice. In certain cases, this fact has been well recognized in practice. For example, the Japanese MITI is the habitat for public dealings with both trade and industrial matters. The same holds for the British DTI. At the European level, the Commission of the EU has special responsibility and powers in matters of trade, competition and industry. It 'handles' these issues and deals with an excessively large number of firms and with 15 member countries. In addition, the Commission deals with such a large volume of international trade and capital flows that its policies have a crucial effect on the entire international economy. In this respect, this book offers a guided tour to economists, businessmen, government officials and lawyers through the issues of competition, industry and trade of the EU.

Credibility and efficiency of competition, industrial and trade policies can be reinforced if the 'trio' is always dealt with as a single unit. Otherwise, uncoordinated policy measures may clash and be counterproductive, which would bring confusion and insecurity. That would have negative repercussions on investment, volume of business, employment and welfare.

It has been accepted for a long time in the EU that competition is the best stimulant of economic activity, efficiency and increase in living standards. Hence, the EU follows rather strict rules of competition. Internal competition in the EU is less and less distinct from external competition. The case in question

includes trans-border business activities of multinationals both from partner countries within the EU and ones that originate in third countries (intra-firm trade). In the area of trade, EU policy has always been in favour of a reduction in barriers to trade. The only exception is the controversial Common Agricultural Policy and its negative impact on international trade in farm goods. As for the industrial policy of the EU, it was followed indirectly through the rules of competition and by various incentives offered to research and development.

The book under review is divided into two parts. The first presents an overview of legal and economic issues relating to trade, industry and competition, with special reference to the EU. The second part deals with the following five case studies:

- cars: trade policy as a substitute for industrial policy;
- artificial fibres: competition from Asian countries;
- steel: little structural adjustment took place in the past;
- telecommunications: rich in positive externalities;
- pharmaceuticals: the EU is the largest world producer and has a large trade surplus.

The selected industry studies (followed by a brief discussion) provide a mix of industries that are either expanding or shrinking. Therefore, their impact on the policy-makers exerts different types of pressure.

The value of the book is that it is not only descriptive, but also analytical; further, that it does not restrict itself to past and present situations, but also offers a view on the possible course of events in the future. In spite of the complexity of the issues, the material is presented in a non-technical way, and hence it is approachable by a wide audience: academic research and teaching, business, law and government affairs. Therefore, it will be a standard reference text for the subject.

It would be interesting to follow the evolution of competition, industrial and trade issues in the EU in the future. Perhaps it may be appealing to have an updated and revised version of the book every three years. An inclusion of case studies of financial and transport services would not have done harm, indeed would have been attractive in the light of the possible eastern enlargement of the EU, as one of the biggest problems is the concern that the select group of advanced transition countries may not be able for a very long time to withstand competition on the EU market.

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Pour l'Emploi et la Croissance et l'Europe

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